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DEPT FOR WHA/AND, WHA/PPC, EB, AND DRL/IL. USDOL FOR CARLOS ROMERO. GENEVA FOR JOHN CHAMBERLIN. PLEASE PASS USTR FOR A/USTR CLATANOFF, V. LOPEZ AND B. HARMON.

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TAGS: [ELAB](#) [PGOV](#) [EC](#)

SUBJECT: ECUADOR: JULY LABOR UPDATE

REF: A. QUITO 1392

[B](#). QUITO 1666

[C](#). QUITO 1734

[1](#). Summary: Following are recent labor-related developments of interest:

- MOL Discusses Labor Reform Plan (para. 2)
- Four Agreements Reached on Labor (4)
- MOL Working With Limited Budget (5)
- Congress Working on Subcontracting Law (6)
- Social Security Reserve Funds To Be Returned (7)
- ICTU Issues Report on Ecuador (9)
- Petroecuador Workers Reinstated (10)
- Flower Workers Fired For Unionizing (11)
- Government Will Regularize Colombian Workers (12)

MOL Discusses Labor Reform Plan

[2](#). In a July 14 meeting with LabOff and AIDOffs, Minister of Labor Galo Chiriboga outlined his proposed method for the formulation of a new labor code. Chiriboga, who originally indicated a preference for administrative over legal reforms, said that both business and labor have asked him to begin a law code reform project. Chiriboga said there would be a committee of five Ecuadorian labor law experts who would elaborate the first draft of the text. Business and union representatives would nominate some of the members of the committee. Chiriboga agreed with us on the importance of ILO involvement during the process; we will continue to pursue the possibility of a foreign ILO expert to support the process.

[3](#). Chiriboga said that a "core" section of the new labor code would apply generally. Other parts of the code might apply differently, depending on circumstances such as the type of business involved. As each section of the code is elaborated, it will be submitted to the tripartite National Labor Council for review. Chiriboga has also invited Congress' Labor Commission to participate as a non-voting member of the council. Chiriboga announced that labor code reform would be a topic for discussion on July 27 within the National Labor Council.

Four Agreements Reached on Labor

[4](#). Minister of Labor Galo Chiriboga announced on July 1 that union and business leaders had reached an agreement to work on four labor-related legislation issues: hourly work, subcontracting, company retirement, and labor code reform (as part of a larger discussion on the FTA's effects on labor). Chiriboga said he would seek consensus on these issues within the National Labor Council.

MOL Working With Limited Budget

[5](#). Chiriboga told LabOff that his Ministry only has a budget of \$300,000 for programs and that the MOL only gets 0.17% of the government's overall budget. As of July 14, the Ministry had eight labor inspectors and 14 child labor inspectors and was looking to hire more. The MOL continues to be unable to provide transportation for all its labor and child labor inspectors. The MOL is also planning to hire a technical secretary for the National Labor Council by a competitive

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process.

Congress Working on Subcontracting Law

[6](#). Andres Paez, president of Congress' Labor Commission, told LabOff on July 26 that Congress was elaborating a new subcontracting bill, to supplant an existing decree issued by the Gutierrez government. Paez had organized a meeting with labor and business leaders in mid-July to discuss what should be included in the proposal. The proposal will be submitted to the National Labor Council for discussion, before it returns to Congress for the second debate. Paez said

business and unions were discussing a compromise of allowing up to a maximum 50% of a company's workers to be subcontracted (rather than the 75% specified in the decree). Press report only 40 of the approximately 4,000 subcontracting companies in Ecuador are registered as required by the decree.

#### Social Security Reserve Funds To Be Returned

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17. Congress voted on July 28 to accept the President's July 21 partial veto of the bill (Ref C) to return social security reserve funds to workers. The partial veto merely extended the time period for the refunds. The original bill passed in Congress called for the return of all reserve funds to affiliates within 90 days. The 74 votes in favor came from the PSC, ID, PRIAN, Pachakutik, DP, PRE, and PSP parties; the MPD and Socialists voted against the President's amendments to the bill.

18. The reserve funds will be returned in three stages: 95% of affiliates will be able to withdraw their funds within five months; the remaining five percent would wait until as late as 2008. Individuals who have been retired over six months will receive their reserve funds immediately. The IESS plans to divest \$423 million of its funds, currently invested in various government bonds, in order to pay out the reserve funds.

#### ICFTU Issues Report on Ecuador

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19. Labor union international ICFTU submitted a report on Ecuador to coincide with the WTO's review of Ecuador's trade policy in early June. The report, available on ICFTU's website (<http://www.icftu.org>), highlights weaknesses in the application and enforcement of core labor standards. It found particular shortcomings in freedom of association, discrimination, and child labor.

#### Petroecuador Workers Reinstated

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110. Of the 33 workers dismissed in 2003 by Petroecuador, the state oil company, 27 have recently returned to their posts. The workers went on strike in 2003 and were subsequently charged by Petroecuador with sabotage and terrorism and fired. The Ecuadorian Supreme Court has found them innocent of these charges. The workers will also receive \$19,990 each in compensation.

#### Flower Workers Fired For Unionizing

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111. According to a flower worker representative, 31 workers attempted to form a union at the Flores de la Montana flower company on June 23. The MOL was informed of the formation of the union on July 24. The workers were subsequently fired on June 27; 16 of the workers fired are protesting outside the farm, and have filed a complaint with the Ministry of Labor.

#### Government Will Regularize Colombian Workers

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112. Minister of Labor Galo Chiriboga told press on July 5 that he would begin a campaign to regularize Colombian workers in Ecuador to guarantee the same pay and work conditions as their Ecuadorian counterparts. Chiriboga asked Ecuadorians to understand that Colombians and Peruvians in Ecuador suffered similar problems as Ecuadorians abroad. "If Ecuador asks for its migrants to be regularized abroad, how can we deny this to foreigners in Ecuador," he asked rhetorically.

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